

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /129 W
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FM AMCONSUL SURABAYA
TO SECSTATE WASHDC 1234
INFO AMEMBASSY JAKARTA
AMEMBASSY SINGAPORE
AMCONSUL MEDAN

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E.O. 11652: N/A
TAGS: ENRG, ECON, ID, US
SUBJECT: CITCO INDONESIA'S CURRENT SITUATION

REF: A) JAKARTA 7567 B) SURABAYA 0582

1. DURING RECENT DISCUSSIONS HERE, STEVE H. BARRINGER, INDONESIA-CITIES SIERVICE (CITCO) OPERATIONS MANAGER, (RESIDENT IN JAKARTA) TOLD ME THAT THE INDONESIAN GOVERNMENT HAS DIRECTED THAT OPERATIONS AT THE OFFSHORE "POLENG" OIL FIELD CEASE AND THE FIELD BE "SHUT IN" BY JULY 1, 1978. THE DECISION IS NOT UNEXPECTED AND CITCO IS PLANNING TO COMPLY.

2. AT PRESENT, THE POLENG FIELD IS ONLY PRODUCING 1800 BLS/DAY OF "LIQUID" BUT ABOUT 27 MIL. CU.FT. OF GAS IS BEING FLARED OFF DAILY. THE RATIO OF GAS TO LIQUID NOW EXCEEDS 14000 CU.FT./1 BL. OIL AS OPPOSED TO THE INITIAL RATE OF 2000/1. IT IS THIS GAS THAT INTERESTS THE INDONESIAN GOVERNMENT AND IT IS TO CONSERVE IT THAT THE FIELD IS BEING SHUT IN.
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CITCO BELIEVES GOI IS SINCERE ABOUT CONSERVING THE GAS AND WILL NOT REOPEN THE WELLS FOR ADDITIONAL OIL PRODUCTION IF IT MEANS THE GAS WILL HAVE TO BE FLARED. THE GOVERNMENT PROPOSED THAT A 30 MILE LINE BE CONSTRUCTED FROM THE FIELD TO GRESIK WHERE THEHIAS WOULD BE UTILIZED FOR THE PRODUCTION OF FERTILIZER BY PETROKIMIA GRESIK WHICH CURRENTLY USES PETROLEUM AS ITS RAW MATERIAL. FINALLY, AFTER A YERS NEGOTI-

TIATION AND A LENGTHY SURVEY, CITCO REJECTED AS UNECONOMIC THE PROPOSAL TO BUILD THE PIPELINE, WHICH WOULD HAVE COST AN ESTIMATED US\$30 MILLION.

3. MEANWHILE, CITCO IS PROCEEDING WITH ITS CURRENT 5-6 MONTH DRILLING PROGRAM (REF B) WHICH BEGAN IN LATE APRIL AND INVLOVES DRILLING TWO WELLS OFF THE KANGAEAN ISLANDS AND TWO JUST NORTH OF MADURA. AS THINRD STAND, CITCO RETAINS ONLY 50PERCENT OF ITS ORIGINAL 59,000 SQ.KM. CONCESSION. CITCO HAS A 1/3 INTEREST IN THE CONCESSION AND ACTS AS THE OPERATOR. THE REMAINING INTERESTS ARE: ASHLAND 1/6, MONSANTO 1/6, GULF 1/6, ROBINS AND OTHERS 1/6. OPERATIONS ARE OUT OF SINGAPORE, WITH THE MAIN BASE ON MASALEMBO ISLAND AND THE ADVANCE BASE, AS BEFORE, ON SAUR ISLAND IN THE KANGAEAN GROUP. CURRENT DRILLING IS BEING CARRIED OUT FROM A BARGE, NOT A FULL FLEDGED RIG, SUPPORTED FROM SAUR ISLAND WHERE TWO ROK BOATS AND A HELICOPTER ARE BASED. WORKERS REACH SAUR VIA TWO LEASED BEEHCRAFT FROM SURABAYA. SUPPLIES AND EQUIPMENT ARE SHIPPED DIRECT FROM MASALEMBO TO THE BARGE. IF THE CURRENT DRILLING PROVES UNPRODUCTIVE, ALL EQUIPMENT AND TRANSPORT WILL BE WITHDRAWN AND THE CONCESSION ABANDONED. SHERRY

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